Speculative Interest.....



What is it? How does it affect me?

As part of the Rural Addition program, in those instances where it is determined that speculative interest is retained by the landowner(s) along the street in question, the County Board of Supervisors shall require a pro rata participation fee based on speculative interest, prior to that street being taken into VDOT's Secondary System (Code of Virginia, Section 33.1-72.1.E). Before determining the eligibility of a road and the amount of money that can be allocated for its improvement, staff must ascertain if the landowner(s) has a speculative interest that is served by the street and the amount of associated costs. Speculative interest exists when ownership or partnership in two or more parcels occurs, or there is equivalent frontage and/or acreage available to create/subdivide additional lots abutting the street in question.

The basis for the pro rata percentage required of the landowners shall be the proportion that the value of the abutting parcels owned or partly owned by the landowner bears to the total value of all abutting property as determined by the current evaluation of the property for real estate purposes. The pro rata percentage shall be applied to VDOT's total estimated cost to construct such street to the necessary minimum standards for acceptance. When such pro rata participation is accepted by the County from the landowners, such amount shall be deducted from VDOT's total estimated cost and the remainder of such estimated cost will be funded by the County's allocation of Rural Addition funds.

County staff will determine if speculative interest exists and can be assessed on your particular Rural Addition request by verifying the following:

- ➤ If one landowner has ownership or partnership in two or more parcels abutting the street(s) in question exists, speculative interest is constituted.
- ➤ If current zoning ordinances permit by-right the development or subdivision of existing lots into more lots, staff will "create" the additional lots and assess the pro rata participation fee proportional to the value of the abutting parcels owned or partly owned by the developer(s) to the total value of all abutting property as determined by the current evaluation of the property for real estate purposes.
- > If public sewer and water are within 300-ft of the subject street, the Community Development staff

will confirm with the Utility Department to determine availability. If the utilities are available, staff will "create" additional potential lots in accordance with current zoning requirements and laws. If public sewer and water are not available, County staff will seek guidance from property owners and health and utility departments to determine if additional potential lots will meet codes (e.g., support wells, septic fields, etc.). However, an actual perk test will not be performed. If the homeowner wishes to contest the County's determination, they may have property perked at their expense and submit findings to the County for reevaluation.

Roanoke County cannot be held liable if additional lots "created" by staff do not perk or provide adequate potable water. Moreover, the County will not reassess the landowner if additional lots are created other than what staff estimated.

Once the number of additional potential lots is agreed upon, an assessment will be done to determine the fair market value of each parcel "created". Staff will research similar size and general location of lots before determining price. Again, if the property owners wish to contest the County's determination, they may present the County with additional information for evaluation.

Staff will then tally all costs for land that abuts the street in question plus any additional "created" lots. All lots that have been determined to be speculative will then be divided by the total cost to arrive at a percentage. This percentage will be applied to the County's cost estimate for road improvements to determine the property owner's share. If the property owner(s) chooses not to pay, staff will recommend to the Board of Supervisors that the street in question be removed from the Rural Addition priority list.

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Please see the following example to give you an idea of how staff comes up with speculative interest and the associated costs.....

STEP 1: DETERMINE AVERAGE ACRE COST

LOT	OWNER	ACRES	ASSESSED LAND VALUE (\$)	COST PER ACRE (\$)***
1	JOE	5	\$4,000	\$800
2	MIKE	6	\$6,000	\$1,000
3	STEVE	7	\$10,000	\$1,429
4	JOEY	7	\$8,000	\$1,143
5	JEFF	10	\$12,000	\$1,200
6	DAVE	4	\$4,000	\$1,000
7	RALPH	4	\$4,000	\$1,000
8	BUTCH	5	\$5,000	\$1,000
9	GEORGE	5	\$5,000	\$1,000
	TOTALS:	53	\$58,000.00	

^{***}Note: Cost per Acre = Assessed Value/ Acres

for example, $$12,000.^{00} / 10 \text{ Acres} = $1,200.^{00} / \text{ Acre}$

STEP 2: DEVELOP ANY ADDITIONAL LOTS AND DETERMINE PROPORTIONAL RATE

(for this example: Min. Lot Size = 4 Acres)

Jeff's property can be divided into 2 lots meeting the minimum lot size of 4 acres. If Jeff can subdivide his 10 Acres into two 5 Acre lots, he is responsible for:

5 additional "created" Acres X \$1,200.00/Acre = \$6,000.00

 $\$6,000.^{00} / \$58,000.^{00} = 10.3\%$ (proportion of value of additional "created" abutting parcel to the total value of all abutting property)

STEP 3: DETERMINE ROAD COST

For this example, let's assume it will cost \$50,000.00 for the road improvements to bring the road up to meet state standards and to be eligible for VDOT acceptance.

STEP 4: APPLY PERCENTAGE

Jeff's share of the speculative interest would be 10.3% of \$50,000, or \$5,172.41.

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For additional information or clarification, please contact:

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